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REPORT
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DROPOUT PREVENTION AND REENTRY ACT OF 1986

JULY 23, 1986.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HAWKINS, from the Committee on Education and Labor, submitted the following

REPORT

[To accompany H.R. 3042]

[Including cost estimate of the Congressional Budget Office]

The Committee on Education and Labor, to whom was referred the bill (H.R. 3042) to amend the Elementary and Secondary Education Act of 1965 to provide grants to local educational agencies for dropout prevention demonstration projects, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendment to the text of the bill is a complete substitute therefor and appears in italic type in the reported bill.

The title of the bill is amended to reflect the amendment to the text of the bill.

SUMMARY

H.R. 3042, the Dropout Prevention and Reentry Act of 1986, aims to stem the tragic loss of talent and potential among the many thousands of young people who do not complete high school each year. This bill establishes a national program that will help school districts demonstrate effective approaches to prevent students from dropping out and to encourage those who have dropped out to complete school. Such a program will not only offer immediate grant assistance to school districts with severe dropout problems, but will also provide better national information about the nature of the dropout problem and successful techniques for addressing it. The results of these model programs can then be replicated in other school districts.

The bill authorizes $50 million for fiscal year 1987 and such sums as necessary for fiscal years 1988 and 1989. Local school districts

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will submit applications for grants to the Secretary of Education and will compete with other school districts of similiar enrollment size. The Secretary will give priority to school districts with the most severe dropout problems and to projects that offer the most promise as demonstrations. Over the three-year life of the bill, school districts will have to match the Federal grant by increasing percentages of State, local, or other Federal funds.

With these grants, school districts will develop school and community-based programs to identify, locate, and provide special services to dropouts and potential dropouts. Such programs might provide student services such as counseling and social work, special academic programs, and student motivation activities. The programs may also include school-wide activities such as the development of dropout prevention policies and the training of school staff in dropout identification and intervention techniques, and must include the development of a dropout reporting system.

LEGISLATIVE CONSIDERATION

H.R. 3042 was introduced by Congressman Hayes on July 18, 1985. The bill currently has a bipartisan roster of 88 cosponsors. On May 20, 1986, the Subcommittee on Elementary, Secondary, and Vocational Education conducted a hearing on H.R. 3042 in Washington, D.C. The Subcommittee conducted another hearing on the bill on June 23, 1986, in Chicago, Illinois.

In 1985, the Subcommittee and full Committee on Education and Labor had conducted several oversight hearings on the dropout problem which contributed to the Committee's understanding of the issue. The full Committee held three regional hearings in 1985 on problems in urban education, including dropouts: one in New Orleans on February 14; one in Los Angeles on February 16; and one in New York on February 19. On November 25, 1985, the Subcommittee on Elementary, Secondary, and Vocational Education held an oversight hearing in Los Angeles which included testimony on that city's dropout problem.

The Subcommittee on Elementary, Secondary, and Vocational Education held a mark-up session on H.R. 3042 on June 17, reporting the bill by unanimous voice vote. On June 24, the full Committee conducted a mark-up session on this legislation; the mark-up continued to June 25, when the bill was ordered reported by unanimous voice vote.

NEED FOR THE LEGISLATION

Extent of the problem

For decades, a high school diploma has been the symbol of attainment of a basic level of education, a passport into the world of work. Yet today in the United States, the nation with the most universal educational system in the world, perhaps one in four young people do not complete high school. This rate has not decreased in ten years, and it may be rising.

There is no single, reliable source of data on the number of school dropouts in the United States, but even the most conservative estimates reveal a serious problem. The Bureau of the Census

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Current Population Survey estimates that 14 percent of youth ages 18–19 are dropouts and that the dropout rate for youth ages 16–24 has remained roughly the same for the past decade. The U.S. Department of Education estimates the national average dropout rate to be 29.1%. Other sources place the rate somewhere in between these percentages. In contrast, all but 7% of the students in Japan complete high school.

These different estimates result from varying data collection methods, definitions, and groups of youth studied. Regardless of these variations, the data sources together are a powerful indicator of a national problem. If 20% of all students drop out before graduation, then each year the number of new dropouts would total 750,000.

Particularly alarming are the dropout rates for inner city, minority, and poor youth. The National Longitudinal Surveys of Labor Market Experience indicate that among youth age 18 during the period 1979–82, about 15% of whites, 17% of blacks, and 31% of Hispanics failed to complete high school or attain a GED. For youth age 21, the dropout rates for whites, blacks, and Hispanics were 12%, 23%, and 36%, respectively. The General Accounting Office study, *School Dropouts: the Extent and Nature of the Problem,* concluded that minority youth who drop out may be less likely to return to school.

In some individual school districts, the dropout rates far exceed the national averages. Through school district dropout statistics are often incomplete and of variable quality, they indicate severe problems in such cities as Los Angeles and Chicago, both of which have 43% dropout rates. "School district data . . . show much larger dropout rates for inner-city public schools, including reports of 50 percent or more for some schools," the GAO report concurred.

Still more troubling is the opinion of some experts that dropout rates may be on the rise. As enrollments of minority and disadvantaged students increase in proportion to the general youth population, "it is possible that the overall dropout rate will grow" during the next several years, a Congressional Research Service issue brief on high school dropouts concluded. The efforts underway in many States to promote excellence and stiffen graduation requirements may mean more dropouts, as increasing numbers of students have difficulty meeting the new standards. In a survey of high school principal in Texas, one of the States with educational reform legislation, 43% if the principals said the dropout rate at their schools had risen since 1984.

Thus, existing data reveal a major, and perhaps growing, national dropout problem. The limitations in this data also indicate a need to improve national and local data collection and reporting procedures.

Consequences of dropping out

These young dropouts are forfeiting their ability to earn a decent wage, secure decent housing, raise a family, function effectively in society, or simply enjoy the rewards of American life.

Dropping out has dire labor market consequences. As the GAO concluded, "Unemployment rates [of dropouts] are far higher than those of their graduate counterparts, and they are less likely even

to be seeking work. Dropouts who are employed have lower earnings, are more likely to be in semi-skilled manual jobs, and report being in lower quality jobs . . . The employment situation for black dropouts is even more bleak than for whites; moreover, it is worse now than 20 years ago."

Another study cited by the GAO report found that "attaining high school graduation by 1980 (or before) was worth an additional $1,500 in 1981 earnings for young women and $1,600 for young men . . ."

The Congressional Research Service noted other adverse consequences for the individual who drops out. Dropouts generally have more difficulty supporting a family. They are more likely to receive welfare and to be convicted of a crime. Their health may be worse. According to a Department of Justice study, the majority of inmates in local jails had not earned high school diplomas.

Students who drop out do a disservice not only to themselves, but to the rest of society as well. The social costs of the dropout problem are staggering. According to research conducted by Henry Levin at Stanford Univeristy, the cost of high school dropout, ages 25–34, conservatively amounts to $77 billion every year: $71 billion in lost tax revenues, $3 billion for welfare and unemployment; and $3 billion for crime prevention. These figures are many years old and therefore may be low. A newer study by James Catterall at UCLA estimates a $200,000 loss per dropout and a $200 billion loss for each school class across the country.

An exhaustive study of the dropout problem in Chicago, conducted by the Chicago Panel on Public School Finances, confirmed these high costs of dropping out. According to testimony from G. Alfred Hess, executive director of the panel, "We calculated the lifetime social costs of the 12,804 dropouts from the Chicago Class of 1982 at over $2.5 billion in transfer payments, crime costs, and lost taxes. Furthermore, these dropouts are adding to the ranks of those people who are becoming a permanent underclass in this country."

Benefits of intervention

The statistics above make clear that addressing the dropout problem up front, through prevention programs for in-school youth and reentry programs for out of school youth, is less costly than allowing the problem to go unattended. The Chicago Panel on Public School Finances estimated that each dollar spent now on dropout prevention stands to save the taxpayer $12 in order costs in the future.

Demographic trends offer another compelling reason for taking immediate action. As Harold Hodgkinson of the Institute for Educational Leadership has pointed out, in 1950 each American retiree had 17 workers paying his or her Social Security benefits. By 1992, that figure is expected to drop to three. "Such a society lets its youth population go to waste at its own peril," an IEL study notes.

These are persuasive reasons to act now to address the problem. Although we lack extensive knowledge about "what works," in terms of specific interventions for specific youth, we do possess enough basic research to begin experimenting with various approaches. As the GAO report noted, we can predict which youth

are at risk of dropping out and target preventive efforts on these students. For example, being behind grade level is one of the most powerful predictors of dropping out. Other factors that correlate significantly are being pregnant, coming from a single parent household, having a father who dropped out, and having relatively little knowledge of the labor market. We also know that certain groups of students, such as Hispanic, black, Indian, and migrant youth, have higher than average dropout rates.

School districts scattered across the country are using this knowledge to initiate a range of promising dropout prevention strategies. For example, the Subcommittee heard testimony about programs in the Chicago Public Schools which include remedial education, counseling, job training, and work experience. Pittsburgh is using mentor programs, peer tutoring and conunseling. Detroit is experimenting with alternative schools and part-time employment.

New York City recently reported a significant decline in its dropout rate, from nearly 50% down to 35%. School officials attributed this improvement to better data collection and to new dropout prevention attendance programs.

However successful some of these individuals programs are, they are piecemeal efforts and are insufficient to address a problem of this gravity. A CRS study of dropouts concluded that most secondary schools do not have special programs for dropouts or potential dropouts.

Even in States or localities where there are such programs, they are inadvertently funded to meet the current needs. Mr. George Munoz, President of the Chicago Board of Education, testified on behalf of the Council of Great City Schools that Chicago's substantial efforts are not serving all students in need. The $1 million that Los Angeles has devoted to pilot programs in 21 of its 700 schools amounts to "a half of a percent of its resources towards a problem which will eventually affect nearly half its entire pupil population," according to James Catterall of UCLA. Even an initial step, such as instituting more accurate counting of dropouts, involves "substantial costs," according to the Association of California Urban School Districts' Task Force on Dropouts. Thus, existing State, local, and private resources are helping in some places but do not constitute a national solution.

Need for a Federal program

A Federal program—even one of the modest proportions envisioned in H.R. 3042—will yield several advantages over the current scattershot approaches.

First, a Federal program will provide a badly-needed focal point for a dropout reduction strategy. Federal leadership will give the problem a high national priority, much as our foreign competitors have done. As an Institute for Educational Leadership study noted:

> In Japan . . . dropouts are given specific help immediately after leaving school, so they can become productive members of society. In West Germany, dropouts fit into an apprenticeship system that provides positive work experience and leads to certification as skilled labor. In the

> United States, dropouts fill the welfare rolls and jails; they wander city streets; they cost society billions of dollars.

H.R. 3042 will begin to reverse this situation by providing a national focus for coordinating existing efforts and launching new ones.

Second, a Federal program will find and foster the best strategies for dropout reduction and make this information available nationally. Only the Federal government has the capacity for this type of broad dissemination. The GAO concurred in its dropout report:

> [B]ased on our review of the literature and other literature summaries, it is not generally known "what works" in terms of specific interventions to prevent youth from dropping out of school or to encourage their reentry. The identification of programs that work would be very useful to local school districts, and this is called for in the Dropout Prevention and Reentry Act of 1985 (H.R. 3042).

Third, a Federal program will encourage standardized collection and reporting of dropout information, another national need uncovered by the GAO. This, too, is a function that only the Federal government can implement well.

The Committee recognizes the current Federal budget constraints and has therefore proposed a limited, demonstration grant program rather than a national formula grant program. Although Federal domestic spending has contracted, the Committee believes that the dropout problem is urgent enough to make delaying a Federal commitment unthinkable. We cannot continue to bankrupt our future by allowing our youth to waste their potential and not complete their education.

EXPLANATION OF THE BILL

Authorization and purpose

H.R. 3042 authorizes $50 million for fiscal year 1987 and such sums as may be necessary for fiscal years 1988 and 1989 for dropout prevention and reentry programs administered by the Department of Education. Under the bill, the Secretary of Education will make grants to local educational agencies (LEAs) to establish and demonstrate effective identification, prevention, outreach and reentry programs for dropouts and potential dropouts.

The Committee expects two types of benefits from these programs. First, the programs will provide direct assistance to LEAs with the mose severe dropout problems. Second, the programs will demonstrate successful techniques for identifying, serving, and collecting data on dropouts and potential dropouts, thereby providing models that can be adopted by other school districts. This national demonstration purpose will be encouraged through requirements that the grantees annually evaluate their programs and, where possible, determine their cost effectiveness and potential for replication elsewhere. Dissemination of these programs will be encouraged by requiring grantees to coordinate with State dissemination efforts and with the Federal National Diffusion Network, the program in the Department of Education that disseminates exemplary projects.

Allotments

School districts will compete for grants under H.R. 3042 by submitting applications. So that districts will compete with others of similar size, and so that funds will be spread across a spectrum of LEAs, the bill divides the competition into categories, based on enrollment.

The bill reserves the following percentages of the total appropriation for the following four categories:

(1) 20% of the funds for LEAs with total enrollments of over 250,000 elementary and secondary school students;

(2) 25% for LEAs with total enrollments of at least 50,000, but less than 250,000;

(3) 25% for LEAs with total enrollments of at least 20,000, but less than 50,000; and

(4) 30% for LEAs with enrollments of less than 20,000.

At least 20% of the last category is further reserved for LEAs with total enrollments of less than 2,000 students. This provision was adopted to ensure attention to the needs of small, rural LEAs. In addition, intermediate educational units (IEUs) or consortia of up to five LEAs may apply in conjunction with the State educational agency for grants under the fourth category, provided the sum of the enrollments of all the LEAs in the consortium or the IEU is less than 20,000. This provision was also intended to allow smaller school districts to join together and mount a coordinated program of sufficient scope to meet their collective needs and also serve as demonstrations. IEUs and consortia of LEAs are subject to the same program requirements as LEAs.

Awarding of grants

The Secretary shall award grants to LEAs with approved applications that propose programs of sufficient size and scope to be valuable as demonstrations. Within a category, priority will be given to LEAs with very high numbers or very high percentages of dropouts. Once the Secretary approves an application for funding, he will determine the amount of the grant based on the extent and severity of the LEA's dropout problem. The Secretary is required to award as many grants as practicable within each category, in order to assure that there will be sufficient number and breadth of experiences among the demonstration projects.

Since the duration of the bill is three years, LEAs that receive funds in the first year are eligible for continuation grants for the second and third years. However, it the Secretary determines that the grantee has not made sufficient progress toward its objectives, he may refuse to continue a grant for the second or third years, after affording the applicant notice and an opportunity for a hearing. No LEA can receive more than one grant for any single fiscal year.

Matching requirements

H.R. 3042 requires LEAs to match the Federal funds under this bill by increasing percentages: 10% in the first year of funding; 25% in the second year; and 40% in the third year. This local share can come from other Federal programs or State or local

public and private sources and may be from in-kind sources for the second and third years.

Applications

The applications that LEAs submit to the Secretary must be developed in consultation with appropriate community-based organizations of demonstrated performance. Applications must contain the following components: the best available information on the number of dropouts and the percentage of dropouts in the applicant's schools; a plan for developing and implementing a dropout information collection and reporting system; a description of the objectives of the project and such other information as the Secretary deems necessary. The mandated data and reporting system must conform with requirements for data collection reporting and evaluating established by the Secretary.

In addition, the application must contain a specific plan for the project. This plan must:

(1) set forth a comprehensive program for dropouts and potential dropouts;

(2) address the special needs of pregnant minors, school-age parents, Indians, migrants, and other identified high risk populations;

(3) disseminate information to students, parents, and the community related to the dropout problems;

(4) include coordinated activities involving at least one high school and its feeder schools;

(5) as appropriate, include services that are coordinated with vocational education, adult basic education, and Job Training Partnership Act programs;

(6) as appropriate, provide mechanisms for developing occupational competencies that link job skill preparation and training with genuine job opportunities and other employee training programs;

(7) establish annual evaluation procedures;

(8) establish a broadly representative advisory council; and

(9) use the resources of the community and parents to develop solutions to the dropout problem.

Authorized activities

LEAs will use funds under H.R. 3042 to carry out the plans and the objectives set forth in the applications. In addition, the bill lists several specific activities that may be supported with these funds. These include activities to provide direct services to dropouts and potential dropouts, such as guidance, counseling, and social work services; ombudsman and mentor services; services addressing poor achievement, language difficulties or course failures, including extended day or summer programs; and work-study, apprenticeship, or internship programs.

Funds under the Act may also support activities that will help improve a school's ability to assess and deal with its dropout problem. These include such activities as establishing system-wide or school-level policies, procedures, and plans for dropout prevention and reentry; training school staff in identifying students at risk of dropping out and intervening at the classroom level; reviewing cur-

riculum; evaluating the program placement of students at risk of dropping out; improving student motivation and the school learning environment; studying the relationship between drugs and dropouts and youth gangs and dropouts; and coordinating programs under this Act with drug prevention and youth gang prevention community organizations.

In carrying out these projects, LEAs are encouraged to use the resources of the community. Toward this end, LEAs may contract with public or private entities or community-based organizations of demonstrated performance to provide services to the target population or services to the LEA. These entities might include other educational institutions, such as community colleges.

Finally, LEAs may use funds under this Act to provide other services and activities that are directly related to the purpose of this legislation. At least 30% of the grant must be used for dropout prevention activities, and at least 30% must be used for activities to assist dropouts in returning to school and provide former dropouts with specialized services once they return to school.

Administrative requirements

Not more than 15% of the grant may be used by the grantee for administrative costs. In addition, an LEA shall use these funds only to supplement State and local funds and not to supplant such funds. This prohibition against supplanting is not intended to prevent LEAs from using funds under this act to expand, extend, or improve existing programs funded from State and local sources.

Responsibilities of the Secretary

The bill requires the Secretary to establish uniform requirements for applications, data collection, reporting, and evaluation. An important part of these duties will be the development of standard definitions to be used by LEAs for data collection and reporting. The Committee has requested the General Accounting office to do a study of the dropout problem. The GAO has submitted the first report required by that study, an overview of existing information on the nature and extent of the problem. The final report, to be submitted by June 30, 1987, will include an assessment of existing dropout prevention and reentry programs at the local level, to determine which approaches are most successful. This final report will also include a discussion of workable definitions for data collection and reporting. Therefore, the Committee has required the Secretary to give special consideration to the GAO reports and to consult with the GAO and with representatives of State and local educational agencies in developing requirements for this Act.

To the extent possible, the Secretary must award grants for any fiscal year not later than the July 1 preceding such fiscal year.

The Secretary is required to submit an annual report on activities under this Act to the appropriate Committees of Congress not later than March 1 of each year.

OVERSIGHT

No findings or recommendations concerning oversight of the programs amended in this bill have been received by this Committee

from the Committee on Government Operations. Findings from the Subcommittee's and the full Committee's oversight hearings contributed to consideration of this legislation.

During consideration of H.R. 3042, the Committee also took into account the findings of the Select Committee on Narcotics Abuse and Control in their report, *Drugs and Dropouts*. Specifically, the Committee adopted an amendment in markup based upon the Select Committee's recommendations. This amendment authorizes funds to be used by grantees to study the relationship between drugs and dropouts and youth gangs and dropouts and to coordinate the programs under this bill with drug prevention and youth gang prevention community organizations.

COST ESTIMATE

The Congressional Budget Office has estimated the following costs to the Federal government in implementing this legislation. The Committee concurs in these estimates and adopts them in compliance with clause VII of Rule 13. No cost estimates have been received from any other Federal department or agency.

The CBO letter follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 10, 1986.

Hon. AUGUSTUS F. HAWKINS,
Chairman, Committee on Education and Labor, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for H.R. 3042, the Dropout Prevention and Reentry Act of 1986, as ordered reported by the House Committee on Education and Labor on June 25, 1986.

If you wish further details on this estimate, we will be pleased to provide them.

With best wishes,

Sincerely,

RUDOLPH G. PENNER, *Director.*

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 3042.
2. Bill title: Dropout Prevention and Reentry Act of 1986.
3. Bill status: As ordered reported by the House Committee on Education and Labor on June 25, 1986.
4. Bill purpose: The purpose of this bill is to authorize a program from 1987 through 1989 to provide grants to local educational agencies to reduce the number of children who do not complete their elementary and secondary education. This bill is subject to subsequent appropriations action.
5. Estimated cost to the Federal Government.

[By fiscal year, in millions of dollars]

	1987	1988	1989	1990	1991
Estimated authorization level	50	53	56	.....	.....
Estimated outlays	4	38	52	51	13

The costs of this bill fall within function 500.

Basis of Estimate: This bill authorizes funds for the Department of Education to make grants to local educational agencies for preventing students from dropping out, persuading dropouts to return to school, and assisting former dropouts with specialized services once they return to school.

The 1987 authorization level for the program is stated in the bill. The outyear estimates reflect this level adjusted for inflation.

Outlay estimates were made assuming full appropriation of estimated authorization levels, and assuming continuation of the current spending pattern of similar categorical education programs.

6. Estimated cost to State and local government: The budgets of state and local governments may be affected by the bill's requirement that fund recipients match federal assistance at rates of 10 percent in 1987, 25 percent in 1988, and 40 percent in 1989 and subsequent years. The matching funds, cash or in-kind, may be provided by state and local governments, or by other sources.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: Ken Pott and Lynne Davidson.

10. Estimate approved by: James L. Blum, Assistant Director for Budget Analysis.

INFLATIONARY IMPACT

Since the bill involves a very modest Federal authorization of $50 million for the first year and such sums as necessary for the two succeeding years, the Committee estimates that the inflationary impact of this bill will be minimal.

SECTION-BY-SECTION ANALYSIS

Section 1

The title of the bill is the Dropout Prevention and Reentry Act of 1986.

Section 2

The purpose of the bill is to reduce the number of dropouts by providing grants to LEAs to establish effective programs in identification of potential dropouts, dropout prevention, and dropout reentry, as well as model collection systems for school dropout data.

Section 3

There are authorized $50 million for fiscal year 1987 and such sums as necessary for fiscal years 1988 and 1989.

Section 4

The Secretary shall distribute the funds under the Act among four categories as follows: (1) 20% to LEAs with enrollments of 250,000 or more; (2) 25% to LEAs with enrollments of at least 50,000 but under 250,000; (3) 25% to LEAs with enrollments of at least 20,000 but under 50,000; and (4), 30% to LEAs, IEUs, or consortia of LEAs with enrollments under 20,000.

The Secretary shall award grants to LEAs with approved applications that propose a program of sufficient size and scope to be of value as a demonstration. The amount of the grant shall be proportionate to the extent and severity of the dropout problem in that LEA. The Federal share is 90% in the project's first year of funding, 75% in the second year, and 60% during the third year.

Section 5

LEAs must submit applications that contain the information required by this section

Section 6

Grants may be used to carry out the plans described in the application as well as for other activities listed in this section.

Section 7

At least 30% of each grant must be used for dropout prevention activities, and at least 30% for reentry programs. Not more than 15% of any grant may be used for administrative costs.

Section 8

LEAs are required to use funds under this Act to supplement and not to supplant funds from non-Federal sources.

The Secretary shall establish uniform requirements for applications, data collection, reporting, and evaluation under the Act and shall consult with the General Accounting Office and the States and LEAs in developing these requirements.

The Secretary is required to award grants by the July 1 preceding the fiscal year of the grant.

The Secretary has the authority to withhold funds, in accordance with Sec. 453 of the General Education Provisions Act, from LEAs that fail to comply substantially with the provisions of this Act. The Secretary is required to submit to Congress an annual report on the activities assisted by this Act. The Comptroller General shall have access to pertinent records of LEAs for audit purposes.

Section 9

Defines common educational terms used in the legislation as they are defined in the Elementary and Secondary Education Act. The term "community-based organization" is defined as a private, nonprofit organization which is representative of a community or significant segments of a community and which provides educational or related services to individuals in the community.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

The bill makes no changes in existing law.